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TAGS: [ENRG](#) [EPET](#) [PREL](#) [UP](#) [EU](#) [GM](#)
SUBJECT: GERMANY ENCOURAGING UKRAINE AND RUSSIA TO SETTLE
GAS DISPUTE

REF: STATE 134475

Classified By: Minister-Counselor for Political Affairs Jeffrey Rathke
for reasons 1.4 (b) and (d)

11. (C) Summary: We discussed reftel points with the Chancellery and Foreign Office December 30. German officials confirmed that Russia has carried out an effective lobbying campaign on the question of gas debts. We were told that Germany shares U.S. goals and is encouraging Ukraine and Russia to settle the gas dispute without disruption of gas supplies to Ukraine and Europe. Chancellor Merkel was scheduled to receive a phone call from Ukrainian Prime Minister Tymoshenko December 30 but reportedly was in "listening mode" and does not want to play a role as a mediator. German interlocutors are focused on the more immediate debt dispute and are treating longer-term EU-Ukraine engagement on energy infrastructure and efficiency separately. End summary.

12. (C) ECON and POL Ministers-Counselor raised reftel points with senior officials in the Chancellery and Foreign Office December 30. PolMC provided points to Chancellery Deputy National Security Adviser Rolf Nikel in preparation for a December 30 telephone call from Ukrainian Prime Minister Tymoshenko to Chancellor Merkel. EconMC delivered the demarche to Detlef Lingemann, DAS-equivalent and head of the External Economic Promotion and Export Controls section of the Foreign Office. PolMC raised the points with Foreign Office DAS-equivalent for Russia Hans-Dieter Lucas, and PolMC and Econ Counselor discussed the same points with Chancellery senior-director-equivalent for Russia Juergen Schulz. ECON Minister-Counselor has a meeting scheduled Friday morning with Merkel,s chief energy advisor to get a fuller read out on Tymoshenko,s call and next German steps, if any.

13. (C) We heard reports during the day that a resolution might have been reached between Russia and Ukraine. Lucas at the Foreign Office said Gazprom was claiming an agreement was reached to offset 2009 transit fees due to Ukraine against the existing debt, but no details were available, nor had the Ukrainian side confirmed it. At the Chancellery 45 minutes later, Schulz said Ukraine reportedly transferred USD 1.4 billion to Gazprom today, but he likewise had no confirmation. (Note: A figure of 1.4 billion euros might be more accurate, since it would be equivalent to the USD 2 billion Gazprom says it is owed. End note) We emphasized that a coordinated U.S.-EU approach was necessary even if the contours of an agreement were taking shape, given the possibility that a deal would break down. While the Chancellery and Foreign Office accepted this notion, they were focused on the immediate matter of settling the debt

dispute and avoiding supply interruptions and did not engage on the issues of transparency and longer-term assistance. MFA,s Lingemann further noted Berlin would need to consult with Brussels to determine whether this should be handled bilaterally or at the EU Commission level.

¶4. (C) Chancellery sources told us that the call between Merkel and Tymoshenko took place at the latter's request; Merkel was "in listening mode" and did not seek a mediating role in the matter. No calls to Russian President Medvedev are in the works. The Chancellery is primarily engaged with the Ukrainians; Russian, however, sent a letter to the Chancellery several days ago reportedly warning that the dispute might not be resolved because of Ukrainian intransigence.

¶5. (C) Lingeman told EMIN later, on a confidential basis, that Foreign Minister Steinmeier had called the Russian Energy Minister December 23 to discuss the issue. Steinmeier reportedly said it was important for Russia and Ukraine to find a solution to the problem as soon as possible, but the Russians were skeptical that the two sides could do so before the end of the year. (Lingemann interpreted this as a signal that a cut-off by January 1 was probable.) Steinmeier then offered to help in any way he could, but so far, the Russians have not responded. In conclusion, Lingemann stated that the Germans were treating this as primarily a contractual, economic issue between Russia and Ukraine.

¶6. (C) The Chancellery and Foreign Office agreed that gas storage facilities in Germany and Ukraine are full; an interruption in supply would not have any immediate, direct

impact on the well-being of the public, but could become a media spectacle. German officials expressed a mixture of skepticism about Ukrainian intentions (and the effects of domestic political wrangling in Kyiv) and acknowledged that Russia faced serious risks if it was portrayed in the international media as turning off the gas supply to Europe, similar to 2006. Lingemann said the economic slowdown and warmer winter meant that less gas was needed and Ukraine was not in a critical position. All interlocutors agreed, however, that no one would have an interest in escalating the situation.

¶7. (C) Lucas at the Foreign Office agreed that the long-term solution for Ukraine required reform and increased efficiency in the energy sector. Germany supported this, mainly through EU engagement, including: negotiations with Ukraine on an association agreement; the EU Neighborhood Policy, and the new Eastern Partnership. The EU Presidency and Commission would need to be in the lead.
Koenig